

SHB 2770 Rulemaking - "Disclosure Summary" Comments

Name: Adam Stein

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Comments:

Dear Ladies & Gentleman:

While we are considering draft version two I would like to call your attention to the following paragraph:

Your mortgage broker will receive a payment of \$_____. This is called a "yield spread premium" and is paid to your broker by your lender if the interest rate on your loan is higher than the rate you could otherwise receive based on your qualifying information. It is not included the mortgage broker's fee.

This paragraph is problematic in a couple of ways and I request a revision prior to finalizing the Rules. To Witt please find the following:

- As an initial disclosure a finite number will not have been determined; a meaningful 'range expressed as a dollar amount' (HUD language) is necessary if you want this form to be workable as an initial disclosure. We can always require a re-disclosure at the time of lock-in with a finite number.
- The statement that YSP inherently means that the borrower is paying a higher rate than what they could otherwise receive is absolutely incorrect in at least two incidences:
 - The borrower does not have the liquidity to pay fees, and, or maintain reserves – in which case they would not qualify at all
 - It infers the borrower is paying a higher rate than what they should be receiving regardless of how competitively priced the loan has been disclosed.
 - Being as we are disclosing this compensation – now for a third time (GFE, State Disclosure, & HUD) why would the paragraph detail it is not included in the broker fee. Many times YSP is the only broker fee.

I strongly urge the Department to create language similar to HUD's definition of compensation from the lender to the broker for goods and services performed - To do otherwise results in harming brokers and confusing consumers.

Brokers already disclose secondary market compensation, something that no other origination channel does for the consumer; yet this disclosure makes brokers appear less competitive for the privilege of having done so. This statement may mislead borrowers to infer that they will qualify for better terms when that may indeed not be the case. Who will be responsible for having created these scenarios? Consumers may opt for other channels of origination solely based on the inference that a brokers loan is higher than what they would otherwise qualify for. If the FTC ran a study on this disclosure, akin to the one that was done on HUD's proposed GFE, does anyone think that the definition of YSP herein would convey more? I think not. I cannot standby and let this happen without voicing this concerns; the importance of structuring the proper definition in this paragraph is critical to both the consumer's understanding and the mortgage broker's viability. Hopefully we can achieve a definition that is accepted by industry and HUD, not just the NCRC and others.

Sincerely,

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